

2. For this purpose, reasonable plant square feet (and related property taxes) is determined as follows:

i. The ratio of plant square feet to licensed beds is determined as follows:

(1) Reasonable plant square feet for Class I NFs is determined separately to be 367 square feet per bed:

(2) Reasonable plant square feet for Class II NFs is determined to be 635 square feet per bed:

(3) Reasonable plant square feet for Class III NFs is determined separately (using 1994 base) to be 504 square feet per bed.

ii. This ratio will establish the base plant square feet for a NF with a given number of licensed beds.

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- iii. The reasonableness limit for each NF's plant square feet shall be established at 110 percent of the base for its licensed beds. (see section 3.11 for NFs with residential or sheltered care patients.)
3. For NFs whose appraised value per plant square foot (as determined by an agent designated by the State) exceeds this limit, the property taxes related to the excess will be excluded from the rate base. For this purpose, it will be assumed that assessed values for buildings vary directly in relation to their areas. The latitude set forth in paragraph 2iii of this subsection is intended to provide for inequities that could result from this assumption. The Division of Medical Assistance and Health Services will review on an individual basis, any additional inequities which owners believe are brought about by unusual circumstances.
4. For NFs whose appraised value per plant square foot (as determined by an agent designated by the State) is greater than 110 percent of the median construction costs at 1977 price levels, the property taxes attributable to the excess will be excluded from the rate base unless the owners can demonstrate unusual circumstances. For screening new NFs, this figure will be revised each year for inflation and for effects of standards changes upon construction cost. (See section 3.11 for the methodology for calculating this limit at 1977 price levels.)

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5. Reasonable land area (and related taxes) is established as follows:

i. For urban NFs two acres;

ii. For nonurban NFs five acres;

iii. For this purpose, a city, town, and so forth is considered "urban" if its population exceeds 25,000 and its average population density exceeds 7,000 per square mile. All other areas are considered "nonurban" or rural.

6. Property taxes ascribable to unreasonable land area will be excluded from the prospective rate base, based upon the assumption that assessed values vary directly with area.

7. After making any adjustments per (a)6 above, taxes bases upon land appraisals in excess of 140 percent of the median appraisal value of five acres, rural and two acres, urban of all NFs in the county will also be considered unreasonable. In the case of counties with fewer than five NFs, neighboring counties may be combined in determining the median value to

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be used.

- 8.a. The Medicaid program will review on an individual basis any inequities which owners believe are brought about by unusual circumstances.
- b. As noted in the instructions for the submission of cost studies, where a lessor is paying the property taxes, the actual property taxes paid by the lessor are to be reported by the NF operator as a property tax expense and deducted from the amount reported as rent. The property tax component of such leases will be subject to the above screens.
- c. Utility costs will be screened for reasonableness as follows:
1. Base period utility costs per bed will be deemed apparently unreasonable to the extent that they exceed 125 percent of the statewide median cost per bed, as determined for each class/type of NF indicated in Section 3.3.
- i The Medicaid program will upon request review any inequities which owners believe are brought about by unusual circumstances.

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3.8 Special amortization

- (a) The Medicaid program will consider on an individual basis, the amortization of start-up costs and special expenditures in rates. Each case will be reviewed on its particular merits and, accordingly, no guidelines are specified herein. As a rule, however, provisions for special amortization would relate to expenditures of a capital nature that are mandated by changes in laws and regulations. The amortization period would generally range from 12 to 60 months, depending upon the nature and magnitude of expenses.
- (b) In approving the amortization of special expenditures, the Medicaid program will also consider the extent to which a NF's rates are based on capital and cost levels of fully complying NFs, or, for capital items, a review of a minimum of three bids on the acquisition or project.

3.9 Routine patient care expenses

- (a) For reporting purposes (on Schedule A) and for the application of the following guidelines, "routine patient care expenses" are defined as expenses relating to those services defined as includable in the per diem rates for routine care under the Medicaid program.
- (b) Reasonableness limits for nursing services (RN's, LPN's and other) will be established as follows:

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1. The minimum nursing requirements in terms of hours worked will be calculated for each Class I and Class II NF based upon the case mix patient classification (see section 3.9(b)1.ii(2)) and standards in effect during the base period, except that, beginning October 1, 1990, minimum nursing requirements in terms of hours shall be calculated for each nursing facility based upon:

- i. A base of 2.5 hours per patient day (20% RNs and LPNs; 80% Aides);
- ii. The base period patient mix related to additional nursing services requiring additional minimum nursing time as derived from patient counts reported by each facility to the Medicaid fiscal agent:

(1) Patients will be reported by means of the billing turnaround document (TAD) for Medicaid recipients and the Medicaid billing certification document for non-Medicaid patients. If a facility fails to report a condition requiring additional nursing services on the original TAD or billing certification document, the count will not be used in the facility's rate calculation.

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- (2) Facilities will report patients with conditions requiring additional nursing services if a patient: resided in the facility and had the condition(s) for the entire month; resided in the facility for the entire month and developed the condition(s) during that month; or entered the facility and had the condition(s) for some portion of the month. This count will include patients who develop condition(s) during a month or enter the facility with condition(s) and cease to have this condition, are discharged, or die during the same month. No reporting shall be made for a patient who ceased to have the condition(s), died or left the facility during a month (other than the month of admission or onset of the condition(s)), except for a patient who was on a bed hold leave to an acute care hospital and returned to the facility.

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- iii. If the calculation of the minimum nurse staffing requirement results in an amount of hours for each type of nurse (RNs, LPNs, and Aides) which includes some part of a full-time equivalent staff position (FTE at seven days per week), the minimum hours required for each type of nurse will be increased to include time sufficient to staff a full-time equivalent staff position (FTE at seven days per week).
2. The minimum nursing requirements in terms of hours worked will be calculated for each Class III program as follows:
- i. A base of 2.5 hours per patient day (20% RNs and LPNs; 80% Aides);
- ii. An additional 3 hours per patient day (60% RNs, 40% LPNs);

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iii. The total minimum hours per year for each type of nurse will be at least 8760 (i.e., allowing staff of one RN, LPN and Aide on each shift.

3. The percentage of hours paid for vacations, holidays, illness, and so forth (hours paid but not worked) to hours worked, will be ranked in descending order for all proprietary and voluntary NFs in the State. Separate rankings will be developed for governmental NFs and each type of SCNF. The percentage for the median NF for each class of facility will be selected as the Statewide norm for the percentage of hours paid but not worked for that class of facility.

4. The hours developed in (b)1i-iv and (b)2i.-iii. above will be incremented by the applicable percentage for each class of NF.

5. The average equalized hourly compensation rate of each type of nurse (see section 3.4(a)3) will be calculated separately for Class I, Class II, and each type of Class III facility.

i. The average equalized compensation rate for the median NF for each class/type of NF will be selected as the norm for the State.

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6. The compensation rates for each class/type of facility will be multiplied by the paid hours developed in (b)4. above for each type of nurse and aggregated for all three types of nurses.

7. The reasonableness limit for total nursing care will be established at 115 percent of this total for Class I and Class II facilities and 125 percent of this total for Class III facilities, in order to allow for variations in staffing patterns, mix of nursing personnel, and so forth. This total will be adjusted for timing differences to each NF's base period.

(c) Reasonableness limits for the below listed special patient care services other than nursing will be established for each class of NF.

1. Those items which are considered special patient care services are:

i. Medical Director;

ii. Patient activities;

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Supersedes TN **New** Effective Date JAN 02 1995

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